

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Lake Township	County Lake
Fiscal Year End 6-30-06	Opinion Date October 18, 2006	Date Audit Report Submitted to State November 13, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 	Printed Name Steven C. Arends, C.P.A.		License Number 1101013211

**LAKE TOWNSHIP, LAKE COUNTY**

**BALDWIN, MICHIGAN**

**JUNE 30, 2006**

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

JUNE 30, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-ix
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In	
Fund Balance to the Statement of Activities	6
Notes to Financial Statements	7-16
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Major Governmental Funds	17-18
<b>Individual Fund Financial Statements</b>	
<b>Major Governmental Funds</b>	
<u>General Fund</u>	
Balance Sheet	19
Schedule of Revenues, Expenditures and Changes In	
Fund Balance - Budget and Actual	20
<u>Fire Fund</u>	
Balance Sheet	21
Schedule of Revenues, Expenditures and Changes In	
Fund Balance - Budget and Actual	22-23
<u>Gypsy Moth Control Fund</u>	
Balance Sheet	24
Schedule of Revenues, Expenditures and Changes In	
Fund Balance – Budget and Actual	25
<u>Milfoil Control Fund</u>	
Balance Sheet	26
Schedule of Revenues, Expenditures, and Changes In	
Fund Balance – Budget and Actual	27

**Agency Fund**

Current Tax Collection Fund

Statement of Changes in Assets and Liabilities	28
--	----

**Other Information**

Statement of 2005 Tax Roll	29-30
Letter of Comments and Recommendations	31-32
Letter of Reportable Conditions	33

134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

October 18, 2006

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Lake Township  
Lake County  
Baldwin, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Lake County, Baldwin, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Lake County, Baldwin, Michigan, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 17-18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Township, Lake County, Baldwin, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Lake Township, a general law township located in Lake County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Lake Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2006, along with specific comparative information as required.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$693,856. Of this amount, \$132,227 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balance of \$312,437 an increase of \$99,240 in comparison with the prior year. About \$158,320 is available for spending at the Township's discretion.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$158,320 or 102.73% of total general fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$693,856 at June 30, 2006, meaning the Township's assets were



LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

**Lake Township**  
**Net Assets as of June 30,**

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current Assets	\$ 312,892	\$213,396
Non Current Assets		
Capital Assets	\$ 779,694	\$779,694
Less: Accumulated Depreciation	(293,632)	(245,754)
Total Non Current Assets	\$ 486,062	\$533,940
<b>Total Assets</b>	<b>\$ 798,954</b>	<b>\$747,336</b>
<b>Liabilities</b>		
Current Liabilities	\$ 46,274	\$ 38,506
Long-Term Liabilities	58,824	72,643
<b>Total Liabilities</b>	<b>\$ 105,098</b>	<b>\$111,149</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 407,512	\$422,991
Restricted		
Fire Protection	67,172	49,478
Gypsy Moth Control	75,540	7,718
Milfoil Control	10,398	35,854
Telecommunications Right-of-Way Maintenance	1,007	0
Unrestricted	132,227	120,146
<b>Total Net Assets</b>	<b>\$ 693,856</b>	<b>\$636,187</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 798,954</b>	<b>\$747,336</b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$132,227 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

At the end of the current fiscal year, the Township is able to report positive balances in net assets for the government as a whole.

The total net assets of the Township increased by \$57,669 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Lake Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended June 30,**

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b><u>Revenues</u></b>		
<b>Program Revenues</b>		
Charges for Services	\$ 10,174	\$ 12,990
Operating Grants and Contributions	55,520	3,685
<b>General Revenues</b>		
Taxes	216,446	257,315
State Grants	77,040	57,460
Interest Earnings	5,683	2,134
Other	7,760	1,538
<b>Total Revenues</b>	<b>\$ 372,623</b>	<b>\$ 335,122</b>
<b><u>Expenses</u></b>		
Legislative	\$ 15,899	\$ 27,912
General Government	108,769	108,923
Public Safety	154,316	111,632
Public Works	2,963	2,757
Economic Development	14,752	14,183
Recreation and Culture	7,667	0
Interest on Long-Term Debt	1,799	0
Other Functions	8,789	9,319
<b>Total Expenses</b>	<b>\$ 314,954</b>	<b>\$ 274,726</b>
Change in Net Assets	\$ 57,669	\$ 60,396
<b><u>NET ASSETS</u></b> - Beginning of Year	<b>636,187</b>	<b>575,791</b>
<b><u>NET ASSETS</u></b> - End of Year	<b>\$ 693,856</b>	<b>\$ 636,187</b>

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

**Governmental Activities**

During the fiscal year ended June 30, 2006, the Township's net assets increased by \$57,669 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Lake Township comes from property taxes. The Township levied a millage for fire protection and fire debt service, in addition to the operating millage, this fiscal year. The Township levied 0.6932 mills for operating purposes, 1.1863 mills for fire protection, and 0.5000 mills for fire debt services.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by public safety expenses that total \$154,316. General governmental expenses represented the next largest expense at \$108,769 followed by legislative at \$15,899. Depreciation expense represents a large portion of the public safety and general government expenses at \$37,821 and \$10,056 respectively.

**Business-Type Activities**

The Township does not maintain any Business-Type Activities.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Lake Township's governmental funds reported combined ending fund balances of \$312,437. \$158,320 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

**General Fund** – The General Fund increased its fund balance by \$39,376 which brings the fund balance to \$159,327. Of the General Fund's fund balance, \$158,320 is unreserved while \$1,007 is reserved for telecommunications right of way maintenance. Tax related revenues were \$91,338. State grant revenues were \$83,490.

**Fire Fund** – The Fire Fund increased its fund balance by \$17,694 which brings the fund balance to \$67,172. This balance is reserved and must be used for fire protection and fire equipment.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

The Township levied a fire millage on the 2005 tax roll. This resulted in \$125,108 in tax related revenues during the current fiscal year.

***Proprietary Fund*** The Township does not maintain any proprietary funds.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of June 30, 2006 amounted to \$486,062 net of accumulated depreciation. The total decrease in the Township's investment in capital assets net of accumulated depreciation for the current fiscal year was \$47,878.

Capital assets summarized below include any items purchased with a cost greater than \$2,500 individually for the General Fund and \$5,000 individually for the Fire Fund. A summary of capital asset categories is illustrated below:

**Lake Township**  
**Capital Assets as of June 30,**

	<b><u>2006</u></b>	<b><u>2005</u></b>
Land and Land Improvements	\$ 107,196	\$ 107,196
Buildings	278,750	278,750
Machinery and Equipment	393,748	393,748
	<u>\$ 779,694</u>	<u>\$ 779,694</u>
Less Accumulated Depreciation	<u>(293,632)</u>	<u>(245,754)</u>
<b>Net Capital Assets</b>	<b><u><u>\$ 486,062</u></u></b>	<b><u><u>\$ 533,940</u></u></b>

**Long-Term Debt.** At the end of the current fiscal year, the Township had total installment debt outstanding of \$104,643. The entire balance of this debt is backed by the full faith and credit of the government. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues. The Township's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes.

A fire millage was once again levied for the 2006 tax roll.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Lake Township at 11580 S. Star Lake Drive, Baldwin, Michigan 49304.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 293,880
External Parties Receivable (Fiduciary Fund)	1
Due from Other Governments	19,011
	<hr/>
Total Current Assets	\$ 312,892
	<hr/>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	\$ 107,196
Buildings	278,750
Machinery and Equipment	393,748
	<hr/>
	\$ 779,694
Less Accumulated Depreciation	(293,632)
Net Capital Assets	<hr/> \$ 486,062
	<hr/>
TOTAL ASSETS	<hr/> \$ 798,954 <hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 55
Rental Deposits	400
Current Portion of Long-Term Liabilities	45,819
	<hr/>
Total Current Liabilities	\$ 46,274
	<hr/>
<u>NONCURRENT LIABILITIES</u>	
Note Payable - Building (Net of Current Portion)	\$ 14,941
Note Payable - Fire Equipment (Net of Current Portion)	26,093
Note Payable - Fire Truck (Net of Current Portion)	17,790
	<hr/>
Total Noncurrent Liabilities	\$ 58,824
	<hr/>
Total Liabilities	\$ 105,098
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	\$ 407,512
Restricted	
Fire Protection	67,172
Gypsy Moth Control	75,540
Milfoil Control	10,398
Telecommunications Right of Way Maintenance	1,007
Unrestricted	132,227
	<hr/>
Total Net Assets	\$ 693,856
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<hr/> \$ 798,954 <hr/>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

				NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
PROGRAM REVENUES				
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING	TOTALS
			GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>				
Legislative	\$ 15,899	\$ 0	\$ 0	\$ (15,899)
General Government	108,769	6,294	0	(102,475)
Public Safety	154,316	0	0	(154,316)
Public Works	2,963	0	6,450	3,487
Economic Development	14,752	0	0	(14,752)
Recreation and Culture	7,667	3,880	49,070	45,283
Interest on Long-Term Debt	1,799	0	0	(1,799)
Other Functions	8,789	0	0	(8,789)
Total Governmental Activities	\$ 314,954	\$ 10,174	\$ 55,520	\$ (249,260)

GENERAL REVENUES

Taxes	\$ 216,446
State Grants	77,040
Interest Earnings	5,683
Other	7,760
Total General Revenues	\$ 306,929
Change in Net Assets	\$ 57,669
<u>NET ASSETS</u> - Beginning of Year	636,187
<u>NET ASSETS</u> - End of Year	\$ 693,856

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
JUNE 30, 2006

	GENERAL FUND	FIRE FUND	GYPSY MOTH CONTROL FUND	MILFOIL CONTROL FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 140,715	\$ 67,227	\$ 75,180	\$ 10,758	\$ 293,880
Due from Other Funds	1	0	360	0	361
Due from Other Governments	19,011	0	0	0	19,011
 TOTAL ASSETS	 \$ 159,727	 \$ 67,227	 \$ 75,540	 \$ 10,758	 \$ 313,252
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 55	\$ 0	\$ 0	\$ 55
Due to Other Funds	0	0	0	360	360
Rental Deposits	400	0	0	0	400
 Total Liabilities	 \$ 400	 \$ 55	 \$ 0	 \$ 360	 \$ 815
<u>FUND BALANCE</u>					
Reserved for:					
Fire Protection	\$ 0	\$ 67,172	\$ 0	\$ 0	\$ 67,172
Gypsy Mother Control	0	0	75,540	0	75,540
Milfoil Control	0	0	0	10,398	10,398
Telecommunications Right of Way Maintenance	1,007	0	0	0	1,007
Unreserved					
Undesignated	158,320	0	0	0	158,320
Total Fund Balance	\$ 159,327	\$ 67,172	\$ 75,540	\$ 10,398	\$ 312,437
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 159,727	 \$ 67,227	 \$ 75,540	 \$ 10,758	 \$ 313,252

The accompanying notes are an integral part of the financial statements.



LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total Fund Balances for Governmental Funds	\$ 312,437
--	------------

Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 107,196	
Buildings	278,750	
Machinery and Equipment	393,748	
Accumulated Depreciation	<u>(293,632)</u>	486,062

Long-term liabilities and accrued interest are not due and payable in the current term  
and are not reported in the funds.

Note Payable - Building	(26,674)
Note Payable - Fire Equipment	(32,000)
Note Payable - Fire Truck	<u>(45,969)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 693,856</u></u>
---------------------------------------	--------------------------

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	FIRE FUND	GYPSY MOTH CONTROL FUND	MILFOIL CONTROL FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 91,338	\$125,108	\$ 0	\$ 0	\$216,446
Licenses and Permits	7,219	0	0	0	7,219
State Grants	83,490	0	0	0	83,490
Charges for Services	2,955	0	0	0	2,955
Interest and Rents	4,019	897	752	15	5,683
Other Revenues	4,471	3,289	38,730	10,340	56,830
Total Revenues	\$ 193,492	\$129,294	\$ 39,482	\$ 10,355	\$372,623
<u>EXPENDITURES</u>					
Legislative	\$ 15,899	\$ 0	\$ 0	\$ 0	\$ 15,899
General Government	98,713	0	0	0	98,713
Public Safety	0	143,600	0	0	143,600
Public Works	2,963	0	0	0	2,963
Community and Economic Development	14,752	0	0	0	14,752
Recreation and Culture	0	0	7	7,660	7,667
Debt Service	13,000	0	0	0	13,000
Other Functions	8,789	0	0	0	8,789
Total Expenditures	\$ 154,116	\$143,600	\$ 7	\$ 7,660	\$305,383
Excess (Deficiency) of Revenues Over Expenditures	\$ 39,376	\$ (14,306)	\$ 39,475	\$ 2,695	\$ 67,240
<u>OTHER FINANCING SOURCES (USES)</u>					
Loan Proceeds	0	32,000	0	0	32,000
Net Change in Fund Balance	\$ 39,376	\$ 17,694	\$ 39,475	\$ 2,695	\$ 99,240
<u>FUND BALANCE</u> - Beginning of Year	119,951	49,478	36,065	7,703	213,197
<u>FUND BALANCE</u> - End of Year	\$ 159,327	\$ 67,172	\$ 75,540	\$ 10,398	\$312,437

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 99,240
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(47,877)
Loan Proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets.	
	(32,000)
Repayments of principal on long-term debt are an expenditure in the governmental funds, but not in the statement of activities (where they are a reduction of liabilities)	
	<u>38,306</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 57,669</u></u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Lake Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Lake Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Gypsy Moth Control Fund* accounts for revenue sources that are legally restricted to expenditures for gypsy moth control.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

The *Milfoil Control Fund* accounts for revenue sources that are legally restricted to expenditures for milfoil control.

Additionally Lake Township reports the following fund type:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The Township Board adopted an investment policy on December 19, 1999 which states the Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following: Public Funds Management Accounts, Savings Accounts, Certificates of Deposit, Money Market Accounts, and US Treasury Bills.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Lake Township totaled \$74,213,756, on which ad valorem taxes levied consisted of 0.6932 mills for Lake Township operating purposes, 1.1863 mills for Lake Township fire protection and 0.5000 mills for Lake Township fire equipment debt service. These levies raised approximately \$51,429 for operating purposes, \$88,013 for fire protection and \$37,093 for fire debt service. In addition, the Township levied special assessments for gypsy moth control and milfoil control.

**3. *Inventories***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 for the General Fund and \$5,000 for the fire fund (amounts not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land and Land Improvements	20
Buildings	50
Vehicles	10
Machinery and Equipment	5-10

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on May 20, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.



LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits and investments are all on deposit with Lake Osceola State Bank, Baldwin, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, \$143,394 of the government's bank balance of \$296,274 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end all of the Township's investments were uncategorized as to risk.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**B. Receivables**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 18,700	\$ 0	\$ 0	\$ 18,700
Capital assets, being depreciated				
Land improvements	\$ 88,496	\$ 0	\$ 0	\$ 88,496
Buildings	278,750	0	0	278,750
Machinery and equipment	393,748	0	0	393,748
Total capital assets, being depreciated	\$760,994	\$ 0	\$ 0	\$760,994
Less accumulated depreciation for:				
Land improvements	\$ 4,702	\$ 4,425	\$ 0	\$ 9,127
Buildings	32,403	5,565	0	37,968
Machinery and equipment	208,650	37,887	0	246,537
Total accumulated depreciation	\$245,755	\$ 47,877	\$ 0	\$293,632
Total capital assets, being depreciated, net	\$515,239	\$ (47,877)	\$ 0	\$467,362
Governmental activities capital assets, net	\$533,939	\$ (47,877)	\$ 0	\$486,062

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 10,056
Public Safety	37,821
Total depreciation expense - governmental activities	<u>\$ 47,877</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**D. Interfund Receivables and Payables**

<u>Fund</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1	\$ 0
Special Revenue Funds		
Gypsy Moth Control Fund	360	0
Milfoil Control Fund	0	360
Current Tax Collection Fund	0	1
	<u>\$ 361</u>	<u>\$ 361</u>

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**E. Long-Term Debt**

The following is a summary of the long-term debt transactions of the Township of Lake for the year ended June 30, 2006

Long-Term Debt Payable At July 1, 2005	\$ 110,949
New Debt Incurred	32,000
Payments on Debt	<u>(38,306)</u>
 LONG-TERM DEBT PAYABLE AT JUNE 30, 2006	 <u>\$ 104,643</u>
 Due within one year	 <u>\$ 45,819</u>

Debt payable at June 30, 2006 consisted of the following:

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

Fire Truck Contract

\$87,250 payable to Lake-Osceola State Bank due in varying  
Installments of \$8,000 to \$30,000 through June 26, 2008,  
Interest at 3.962% \$ 45,969

Fire Equipment Loan

\$32,000 payable to Lake-Osceola Bank due in Annual  
Installments of \$7,189 to \$13,000 through January 24, 2011  
Interest at 3.95% 32,000

Building Loan

\$49,000 payable to Lake-Osceola Bank due in varying  
Installments of \$2,776 to \$13,000 through February 1, 2009,  
Interest at 4.75% 26,674

\$ 104,643

The annual requirements to amortize the debt outstanding as of June 30, 2006 are as follows:

<u>YEAR</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	\$ 45,819	\$ 4,370	\$ 50,189
2008	36,224	2,461	38,685
2009	9,040	926	9,966
2010	6,646	543	7,189
2011	6,914	275	7,189
	<u>\$ 104,643</u>	<u>\$ 8,575</u>	<u>\$ 113,218</u>

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various accounts. These reserves are detailed in the following schedule:

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

FUND BALANCE/NET ASSETS

Reserved

General Fund

Telecommunication's Right-of-Way Maintenance	\$ 1,007
--	----------

Special Revenue Funds

Fire Fund

Fire Protection	67,172
-----------------	--------

Gypsy Moth Control Fund

Gypsy Moth Control	10,398
--------------------	--------

Milfoil Control Fund

Milfoil Control	<u>75,540</u>
-----------------	---------------

TOTAL FUND BALANCE RESERVES AND DESIGNATIONS	<u><u>\$154,117</u></u>
--	-------------------------

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 55,378	\$ 55,378	\$ 91,338	\$ 124,948	\$ 124,948	\$ 125,108
Licenses and Permits	4,700	4,700	7,219	0	0	0
State Grants	62,992	62,992	83,490	0	0	0
Charges for Services	42,360	42,360	2,955	0	0	0
Interest and Rents	1,626	1,626	4,019	401	401	897
Other Revenues	1,550	1,550	4,471	1,200	1,200	3,289
Total Revenues	\$ 168,606	\$ 168,606	\$ 193,492	\$ 126,549	\$ 126,549	\$ 129,294
<u>EXPENDITURES</u>						
Legislative	\$ 37,951	\$ 40,831	\$ 15,899	\$ 0	\$ 0	\$ 0
General Government	113,368	112,093	98,713	0	0	0
Public Safety	0	0	0	166,549	166,549	143,600
Public Works	3,054	3,054	2,963	0	0	0
Community and Economic Development	4,850	5,650	14,752	0	0	0
Recreation and Culture	0	0	0	0	0	0
Other Functions	11,908	19,148	8,789	0	0	0
Debt Service	0	0	13,000	0	0	0
Contingency	112,475	102,830	0	0	0	0
Total Expenditures	\$ 283,606	\$ 283,606	\$ 154,116	\$ 166,549	\$ 166,549	\$ 143,600
Excess (Deficiency) of Revenues Over Expenditures	\$ (115,000)	\$ (115,000)	\$ 39,376	\$ (40,000)	\$ (40,000)	\$ (14,306)
<u>OTHER FINANCING SOURCES (USES)</u>						
Loan Proceeds	0	0	0	0	0	32,000
Net Change in Fund Balance	\$ (115,000)	\$ (115,000)	\$ 39,376	\$ (40,000)	\$ (40,000)	\$ 17,694
<u>FUND BALANCE - Beginning of Year</u>	115,000	115,000	119,951	40,000	40,000	49,478
<u>FUND BALANCE - End of Year</u>	\$ 0	\$ 0	\$ 159,327	\$ 0	\$ 0	\$ 67,172

GYPSY MOTH CONTROL FUND			MILFOIL CONTROL FUND		
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
150	150	752	3	3	15
34,700	34,700	38,730	9,701	9,701	10,340
\$ 34,850	\$ 34,850	\$ 39,482	\$ 9,704	\$ 9,704	\$ 10,355
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
32,000	32,000	7	8,850	8,850	7,660
0	0	0	0	0	0
0	0	0	0	0	0
34,719	34,719	0	7,986	7,986	0
\$ 66,719	\$ 66,719	\$ 7	\$ 16,836	\$ 16,836	\$ 7,660
\$ (31,869)	\$ (31,869)	\$ 39,475	\$ (7,132)	\$ (7,132)	\$ 2,695
0	0	0	0	0	0
\$ (31,869)	\$ (31,869)	\$ 39,475	\$ (7,132)	\$ (7,132)	\$ 2,695
31,869	31,869	36,065	7,132	7,132	7,703
\$ 0	\$ 0	\$ 75,540	\$ 0	\$ 0	\$ 10,398

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

GENERAL FUND

BALANCE SHEET  
JUNE 30, 2006

ASSETS

Cash	\$ 140,715
Due from Other Funds	1
Due from Other Governments	<u>19,011</u>
 TOTAL ASSETS	 <u><u>\$ 159,727</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Rental Deposits	<u>\$ 400</u>
-----------------	---------------

FUND BALANCE

Reserved for	
Telecommunications Right of Way Maintenance	\$ 1,007
Unreserved	<u>158,320</u>
 Total Fund Balance	 <u>\$ 159,327</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 159,727</u></u>



LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
<u>REVENUES</u>			
Taxes	\$ 55,378	\$ 55,378	\$ 91,338
Licenses and Permits	4,700	4,700	7,219
State Grants	62,992	62,992	83,490
Charges for Services	42,360	42,360	2,955
Interest and Rents	1,626	1,626	4,019
Other Revenues	1,550	1,550	4,471
Total Revenues	<u>\$ 168,606</u>	<u>\$ 168,606</u>	<u>\$ 193,492</u>
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 24,951	\$ 27,831	\$ 15,899
General Government			
Supervisor	12,200	12,200	11,316
Election	2,607	2,607	551
Assessor	40,471	37,726	37,538
Attorney	4,000	4,000	950
Clerk	12,350	12,350	11,218
Board of Review	1,070	1,080	877
Treasurer	25,220	25,220	22,065
Building and Grounds	9,750	9,950	7,948
Cemetery	5,700	6,960	6,250
Public Works			
Highways, Streets and Bridges	3,054	3,054	2,963
Community and Economic Development			
Planning and Zoning	4,850	5,650	14,752
Other Functions	11,908	19,148	8,789
Debt Service			
Principal	11,201	11,201	11,201
Interest	1,799	1,799	1,799
Contingency	112,475	102,830	0
Total Expenditures	<u>\$ 283,606</u>	<u>\$ 283,606</u>	<u>\$ 154,116</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (115,000)</u>	<u>\$ (115,000)</u>	<u>\$ 39,376</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>115,000</u>	<u>115,000</u>	<u>119,951</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 159,327</u>

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

FIRE FUND

BALANCE SHEET  
JUNE 30, 2006

ASSETS

Cash	\$ 67,227
------	-----------

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 55
--------------------	-------

<u>FUND BALANCE</u>	
Reserved for Fire Protection	67,172

TOTAL LIABILITIES AND FUND BALANCE	\$ 67,227
------------------------------------	-----------

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
<u>REVENUES</u>			
Taxes			
Current Property Taxes	\$ 124,948	\$ 124,948	\$ 125,108
Interest and Rents			
Interest Earnings	401	401	897
Other Revenues			
Donations from Private Sources	1,200	1,200	350
Miscellaneous	0	0	2,939
Total Revenues	<u>\$ 126,549</u>	<u>\$ 126,549</u>	<u>\$ 129,294</u>
<u>EXPENDITURES</u>			
Public Safety			
Personal Services			
Salaries and Wages	\$ 33,400	\$ 33,700	\$ 34,699
Social Security	2,000	2,000	1,966
Supplies			
Office Supplies and Postage	520	520	68
Gas and Oil	2,000	5,500	5,425
Operating Supplies	10,000	10,000	7,701
Other Services and Charges			
Telephone	1,500	1,500	1,428
Heat	2,500	2,500	1,783
Training	1,500	1,500	1,299
Repairs and Maintenance	2,500	2,500	1,271
Contracted Services	3,000	4,000	3,000
Dues and Memberships	150	150	75
Miscellaneous	500	500	0
Insurance	14,000	14,000	12,365
Utilities	2,500	2,500	2,224
MEMAC Emergency Fund	100	100	0
Capital Outlay			
Equipment	37,500	38,300	40,296

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
Debt Service			
Principal	0	0	27,105
Interest	0	0	2,895
Contingency	52,879	47,279	0
Total Expenditures	\$ 166,549	\$ 166,549	\$ 143,600
Excess (Deficiency) of Revenues Over Expenditures	\$ (40,000)	\$ (40,000)	\$ (14,306)
<u>OTHER FINANCING SOURCES (USES)</u>			
Loan Proceeds	0	0	32,000
Net Change in Fund Balance	\$ (40,000)	\$ (40,000)	\$ 17,694
<u>FUND BALANCE</u> - Beginning of Year	40,000	40,000	49,478
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 67,172

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

GYPSY MOTH CONTROL FUND

BALANCE SHEET  
JUNE 30, 2006

ASSETS

Cash	\$ 75,180
Due from Other Funds	<u>360</u>
 TOTAL ASSETS	 <u><u>\$ 75,540</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Gypsy Moth Control	<u>75,540</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 75,540</u></u>

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

GYPSY MOTH CONTROL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Interest and Rents			
Interest Earnings	\$ 150	\$ 150	\$ 752
Other Revenue			
Special Assessments	34,700	34,700	38,730
Total Revenues	\$ 34,850	\$ 34,850	\$ 39,482
<u>EXPENDITURES</u>			
Recreation and Culture			
Gypsy Moth Control	\$ 32,000	\$ 32,000	\$ 7
Contingency	34,719	34,719	0
Total Expenditures	\$ 66,719	\$ 66,719	\$ 7
Excess (Deficiency) of Revenues			
Over Expenditures	\$ (31,869)	\$ (31,869)	\$ 39,475
<u>FUND BALANCE</u> - Beginning of Year	31,869	31,869	36,065
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 75,540

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

MILFOIL CONTROL FUND

BALANCE SHEET  
JUNE 30, 2006

ASSETS

Cash	<u>\$ 10,758</u>
------	------------------

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Funds	\$ 360
--------------------	--------

FUND BALANCE

Reserved for Milfoil Control	<u>10,398</u>
------------------------------	---------------

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,758</u>
------------------------------------	------------------

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

MILFOIL CONTROL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Interest and Rents			
Interest Earnings	\$ 3	\$ 3	\$ 15
Other Revenue			
Special Assessments	9,701	9,701	10,340
Total Revenues	<u>\$ 9,704</u>	<u>\$ 9,704</u>	<u>\$ 10,355</u>
<u>EXPENDITURES</u>			
Recreation and Culture			
Milfoil Control	\$ 8,850	\$ 8,850	\$ 7,660
Contingency	7,986	7,986	0
Total Expenditures	<u>\$ 16,836</u>	<u>\$ 16,836</u>	<u>\$ 7,660</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,132)	\$ (7,132)	\$ 2,695
<u>FUND BALANCE</u> - Beginning of Year	<u>7,132</u>	<u>7,132</u>	<u>7,703</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,398</u>



LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
JUNE 30, 2006

	BALANCE			BALANCE
	7/1/2005	ADDITIONS	DEDUCTIONS	6/30/2006
<u>ASSETS</u>				
Cash	\$ 0	\$ 2,788,194	\$ 2,788,193	\$ 1
<u>LIABILITIES</u>				
Due to Other Organizations and Individuals	\$ 0	\$ 7,391	\$ 7,391	\$ 0
Due to Other Governments	0	2,535,681	2,535,681	0
Due to Other Funds	0	245,122	245,121	1
	\$ 0	\$ 2,788,194	\$ 2,788,193	\$ 1

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
JUNE 30, 2006

TAXES ASSESSED

County		
County Taxes	\$ 838,001	
State Education Tax	445,270	
Township		
Operating	51,429	
Fire Operating	88,013	
Fire Debt	37,093	
Gypsy Moth	38,730	
Lake Weed Control	10,340	
Schools		
Baldwin Community Schools	1,125,052	
Mason County Central Schools	59,506	
Intermediate School		
Mason-Lake Intermediate	266,678	
College		
West Shore Community College	<u>15,849</u>	\$ 2,975,961

TAXES COLLECTED

County		
County Taxes	770,144	
State Education Tax	425,567	
Township		
Operating	46,842	
Fire Operating	80,163	
Fire Debt	33,785	
Gypsy Moth	34,622	
Lake Weed Control	9,680	
Schools		
Baldwin Community Schools	1,029,854	
Mason County Central Schools	55,263	
Intermediate School		
Mason-Lake Intermediate	242,873	
College		
West Shore Community College	<u>14,430</u>	<u>2,743,223</u>

LAKE TOWNSHIP, LAKE COUNTY  
BALDWIN, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
JUNE 30, 2006

TAXES RETURNED DELINQUENT

County		
County Taxes	67,857	
State Education Tax	19,703	
Township	0	
Operating	4,587	
Fire Operating	7,850	
Fire Debt	3,308	
Gypsy Moth	4,108	
Lake Weed Control	660	
Schools	0	
Baldwin Community Schools	95,198	
Mason County Central Schools	4,243	
Intermediate School	0	
Mason-Lake Intermediate	23,805	
College	0	
West Shore Community College	1,419	\$ 232,738

134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

October 18, 2006

### LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Lake Township  
Lake County  
Baldwin, Michigan

During the course of our audit of the basic financial statements of Lake Township for the year ended June 30, 2006, we noted the following:

#### Budgeting

Pertaining to the Township's compliance with Public Acts 621 of 1978 the following item is noted:

Two activities in the General Fund exceeded the budgeted amount. These overages were the result of year end audit adjustments. The overall monitoring of the budget is being handled very satisfactorily.

#### Credit Card Policy

During the course of our audit we found that the Township was using store credit cards. Further, it was found that the Township has not adopted a written credit card policy. According to Public Act 266 of 1995, the Township must adopt a written credit card policy to be a party to a credit card arrangement. We recommend the Township adopt a written policy governing the control and use of credit cards.

#### Reportable Condition in Internal Controls

In planning and performing our audit of the basic financial statements of Lake Township for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal controls were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

General Recordkeeping

The accounting records for the year ended June 30, 2006, were found to be in good order and in compliance with the State's uniform accounting system. We recommend the Clerk and Treasurer for a job well done and encourage them to keep up the fine effort.

We would like to thank the board for awarding our firm the audit assignment and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

October 18, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Lake Township  
Lake County  
Baldwin, Michigan

In planning and performing our audit of the basic financial statements of Lake Township, Lake County, Baldwin, Michigan for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*